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not taken into account, can be misleading. If the owner of a factory does not renew its machinery, buildings, and so forth, but instead builds a new factory which is equal in value to the depreciation of the old, then the *immediate* result is that two factories are producing instead of one, and the output rises, although the amount of his capital remains unchanged, and after the total depreciation of his old factory, output will decline to the level of only one factory. The same principle holds good for the countries of Eastern Europe, where the rise in output over the past few years has not been accompanied by a parallel increase in the investment of capital. In some cases, it has even been accompanied by disinvestment, as the following table, dealing with agriculture, shows:

	Level of Agricultural Production			Estimated Net Investment in Fixed Capital in Agriculture and Fisheries (in million dollars, 1938 prices)	
	Index numbers, 1934-8 = 100				
	1946/7	1947/8	1948/9	1947	1948
Bulgaria ..	67	71	—	−13	−11
Czechoslovakia	80	62	80	−21	−19
Hungary ..	57	67	85	−11	−5
Poland ..	46	59	70	−5	11

(U.N. *Economic Survey of Europe in 1948*, Geneva, 1949, pp. 17, 51)

(In order not to get a false picture one should bear in mind that the negative balance of investments in agriculture in fixed capital may have been offset by an increase in livestock, which is not included in the figures).

Another example of the same phenomenon is the textile and clothing industry of Poland. This showed a big rise in output in 1947, and at the same time a net disinvestment of 10 million dollars in 1938 prices (Ibid. p. 53).

Another factor must be taken into account. In the backward conditions of Eastern Europe, even a small addition to the net investment may bring about a disproportionately large addition to the output, the more so—in the short run—if certain whole new industries are built while other plants or branches of industry are starved of capital.

Even with these reservations, the investment plans of the countries of Eastern Europe should not be underestimated, though the statistics are really related to gross new investments (without depreciation being taken into account). In absolute figures the targets were:

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CAPITAL EXPENDITURE
(MILLION DOLLARS 1948 PRICES)

Country	Period	Total	Yearly
Poland	1947-9	1,950	650
	1950-5	—	—
Czechoslovakia	1947-8	1,340	670
	1949-53	5,800	1,160
Hungary ..	1947-9	570	190
	1950-4	2,200	440
Rumania ..	1949	450	450
Yugoslavia ..	1947-51	2,900	580
Bulgaria	1947-8	221	111
	1949-53	850	170

(Ibid. p. 203)

Thus every year a gross investment is planned of about 4 thousand million dollars in 1948 prices. This is a tremendous figure, making up about 20-25 per cent of the national incomes of these countries. Such a large investment, of course, places a heavy burden on the shoulders of the population.

How do these investment targets compare with actual investments in other countries? The gross annual investment, according to the Plans, will be about 45 dollars (at 1948 prices) per head of population. As against this in 1948 the *net* investment *at 1938 prices* (which are about half of 1948 prices) in the countries of Western Europe was: Norway 55 dollars, Sweden 42, United Kingdom 36, Denmark 32, Netherlands 27, France 16, Belgium (1947) 16, Italy 10. (Ibid. p. 48). Thus compared with investments in Western Europe the investments planned in Eastern Europe are not very spectacular.* To realise them will require great sacrifices on the part of the populations and yet are far too small to help, in the foreseeable future, to bridge the gap between the levels of development of Western and Eastern Europe.

The magnitude of the investments planned fall short of these countries' needs of rapid industrialisation. This is clearly revealed by considering the question of how many people will be absorbed in industry in proportion with the agricultural over-population and the natural increase of population. The Polish Plan fixes a total increase of 300,000 in the number of people

*This was reflected most clearly in a comparison of the actual net investments in fixed capital per head of population in 1949 (dollars in 1938 prices): Norway 59, U.K. 41, Sweden 36, Denmark 32, Netherlands 31, France 24; the corresponding figures for the countries of Eastern Europe were: Yugoslavia 12, Hungary 12, Poland 9, Czechoslovakia 8. (United Nations, *Economic Survey of Europe in 1949*, Geneva, 1950, p. 39).

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in manufacturing industry, the Czechoslovak Plan an increase of 250,000, the Bulgarian Plan an increase of 90,000 and the Hungarian Plan an increase of 300,000 (including industries other than manufacturing). The U.N. Survey that gives these facts, remarks: 'These figures, if related to present employment in manufacturing, indicate a substantial increase. If, however, the figures are related to the total populations of the countries, they are less striking. In the four countries mentioned, additional employment in industry over the plan period accounts for only 1 to 2 per cent of the total population, which in itself is expected to rise by some 5 per cent in the same period' (p. 206).

On many points the plans are silent. Unlike Russia's first Five Year Plan or the plans of the Organisation for European Economic Co-operation for Western Europe, the Plans of the 'People's Democracies' contain no information about foreign trade either among themselves or between each of them and Russia, or the West. They also blur over the question of how the total national income will be divided between consumption and accumulation (investment), but contain only some scattered information about the planned consumption of some particular goods. This silence speaks volumes. The non-publication of information about foreign trade is intended to cover up the exploitation of these countries by Russia; the non-publication of information about the division of the national income between consumption and accumulation is intended to cover up the exploitation of the masses under the banner of industrialisation.

This last point about the division of the national income between consumption and accumulation is of vital importance when we attempt to discover the factors determining the living conditions of the masses. Burdened with a terrible backwardness, an autocratic bureaucracy and the yoke of Russian imperialism, industrialisation will inevitably be carried out in such a way that compulsory savings will far surpass what the people themselves would be ready to save of their own free will. In such circumstances, consumption must be subordinated to accumulation, as the experience of Eastern Europe over the past few years (and of twenty years' planning in Russia) has clearly shown. The following table illustrates the 'capital